

March 10, 2000

TO: Senator Sid Snyder, Chairman
Senator Dan McDonald
Representative Brian Thomas
Representative Hans Dunshee
Fred Kiga, Director, DOR
Marty Brown, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: MARCH 10, 2000 REVENUE COLLECTION REPORT

General Fund-State collections were much higher than expected in the February 11 - March 10 collection period, with receipts \$65.5 million above the estimate for the month. Although the economy is strong, it is not this strong. A large part of this month's variance is due to a special factor. The Department of Revenue implemented a new document management system in February which resulted in a delay in the processing of returns this collection period. This delay resulted in an overstatement of Revenue Act (state retail sales, business and occupation, use, public utility and tobacco product taxes) receipts. This is estimated to account for \$37.5 million of the \$65.5 million total variance. Still, excluding this special factor, collections this month are \$28.0 million higher than the forecast for the month indicating a very strong economy. Virtually all the strength is in Revenue Act receipts, although cigarette tax receipts are also significantly stronger than expected this month. The special factor aside, the higher than expected revenue indicates that the economy has as yet not slowed as assumed in the forecast. In fact, it has accelerated. This is consistent with the economic strength seen nationally. The U.S. economy's record expansion shows no sign of slowing as consumers continued to spend unrelentingly.

Revenue Act collections were \$64.7 million above the forecast in the February 11 - March 10 collection period, \$27.2 million adjusting for the impact of processing delays. Collections this period primarily reflect January activity of monthly taxpayers. Collections were very strong with receipts (adjusted for the special factor) 9.7 percent above a strong year-ago level. This is the strongest increase since July 1999 and is well above the 5.8 percent gain in the fourth quarter. Revenue growth is quite volatile on a monthly basis and January's growth is likely unsustainable even in this strong economy. Yet, the strong start to the first quarter, increases the likelihood that we will see stronger first quarter growth than expected in the February forecast.

Preliminary data on taxes paid shows widespread strength in the latest collection period, primarily reflecting January business activity. The retailing sector as a whole was up nearly 9 percent based on preliminary data, lead by double-digit increases in the auto and furniture and household equipment sectors. Outside retailing, tax payments reported by the heavy construction, manufacturing, services and wholesale trade sectors were very strong, with growth in the double-digits. The service sector was especially strong, with tax payments more than 20 percent above the year-ago level.

Other General fund taxes collected by the Department of Revenue were \$2.5 million above the estimate for the month. Stronger than expected cigarette tax, estate tax and a variety of miscellaneous, smaller taxes and fees more than offset weaker than expected real estate excise and liquor tax revenue.

Real estate excise activity may finally be slowing, succumbing to rising mortgage rates. January 2000 closings, reflecting tax payments to the state in February, were down 6.5 percent from a year-ago, the third decline in the last four months. Activity in the central Puget Sound area was weaker than the statewide average for a change, with taxable activity down 9.2 percent.

Other agencies' General Fund collections were \$1.5 million below the forecast in February. The Department of Licensing General Fund collections were \$0.2 million less than the estimate for the month, while the Lottery's General Fund deposits were \$1.3 less than expected. Lottery sales picked up during the last few weeks as the lotto jackpot grew to \$16 million. Still, cumulatively sales are weak relative to a year-ago.

The attached table 1 provides a comparison of collections with estimates for the current midmonth period, February 11- March 10, and cumulatively since our last forecast. The cumulative and monthly variance are virtually identical because the monthly estimates based on the February forecast have been adjusted to reflect actual receipts through February 10. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report.

TABLE 1
Revenue Collection Report
March 10, 2000 Collection Report - Based on the February 2000 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
February 11 - March 10, 2000				
Department of Revenue-Total	\$566,208	\$633,345	\$67,137	11.9%
Revenue Act** (1)	511,180	575,843	64,663	12.6%
Non-Revenue Act(2)	55,028	57,502	2,474	4.5%
Liquor Sales/Liter	5,760	5,506	(254)	-4.4%
Cigarette	5,267	6,892	1,625	30.9%
Property (State School Levy)	4,739	4,828	89	1.9%
Estate	7,047	7,212	164	2.3%
Real Estate Excise	23,603	23,050	(552)	-2.3%
Timber (state share)	4,536	4,454	(82)	-1.8%
Other	4,078	5,561	1,483	36.4%
Department of Licensing (2)	551	388	(163)	-29.6%
Lottery (2)	12,308	10,978	(1,330)	-10.8%
Total General Fund-State***	\$579,067	\$644,710	\$65,643	11.3%
Cumulative Variance Since the November Forecast (February 11 - March 10, 2000)3				
Department of Revenue-Total	\$566,208	633,345	67,137	11.9%
Revenue Act** (3)	511,180	575,843	64,663	12.6%
Non-Revenue Act(4)	55,028	57,502	2,474	4.5%
Liquor Sales/Liter	5,760	5,506	(254)	-4.4%
Cigarette	5,267	6,892	1,625	30.9%
Property (State School Levy)	4,739	4,828	89	1.9%
Estate	7,047	7,212	164	2.3%
Real Estate Excise	23,603	23,050	(552)	-2.3%
Timber (state share)	4,536	4,454	(82)	NA
Other	4,078	5,561	1,483	36.4%
Department of Licensing (4)	551	388	(163)	-29.6%
Lottery (4)	12,308	10,978	(1,330)	-10.8%
Total General Fund-State***	\$579,067	\$644,710	\$65,643	11.3%

1 Collections February 11 - March 10, 2000. Collections primarily reflect January 2000 activity of monthly taxpayers.

2 February 1-29, 2000 collections.

3 Cumulative collections, estimates and variance since the February forecast; (February 11-March 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the February forecast; (February 2000) and revisions to history.)

* Based on the February 2000 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
February 10, 2000 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
January 11 - February 10, 2000				
Department of Revenue-Total	\$966,302	\$966,302	\$0	0.0%
Revenue Act (1)	885,424	885,424	(0)	-0.0%
Non-Revenue Act(2)	80,878	80,878	0	0.0%
Liquor Sales/Liter	10,589	10,589	(0)	-0.0%
Cigarette	5,229	5,229	(0)	-0.0%
Property (State School Levy)	12,422	12,422	0	0.0%
Estate	7,884	7,884	(0)	-0.0%
Real Estate Excise	32,972	32,972	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	11,783	11,783	(0)	-0.0%
Department of Licensing (2)	(881)	(881)	(0)	0.0%
Lottery (2)	4,637	4,637	0	0.0%
Total General Fund-State***	\$970,058	\$970,058	\$0	0.0%

Cumulative Variance: November 11 - February 10, 2000 & Revisions to History

Department of Revenue-Total	2,821,492	\$2,821,492	\$0	0.0%
Revenue Act (3)	2,064,787	2,064,787	0	0.0%
Non-Revenue Act(4)	756,705	756,705	(0)	-0.0%
Liquor Sales/Liter	24,570	24,570	0	0.0%
Cigarette	16,083	16,083	(0)	-0.0%
Property (State School Levy)	547,956	547,956	0	0.0%
Estate	22,917	22,917	(0)	-0.0%
Real Estate Excise	97,221	97,212	(9)	-0.0%
Timber (state share)	5,483	5,483	0	NA
Other	42,474	42,483	9	0.0%
Department of Licensing (4)	2,029	2,030	1	0.0%
Lottery (4)	18,851	18,851	(0)	-0.0%
Total General Fund-State***	2,842,371	\$2,842,372	\$1	0.0%

P-Preliminary. Reported in the February 10, 2000 collection report.

R Revised data.

1 Collections January 11 - February 10, 2000. Collections primarily reflect December 1999 business activity of monthly taxpayers, Oct.-Dec. activity of quarterly files and 1999 activity of annual filers.

2 January 1-31, 2000 collections.

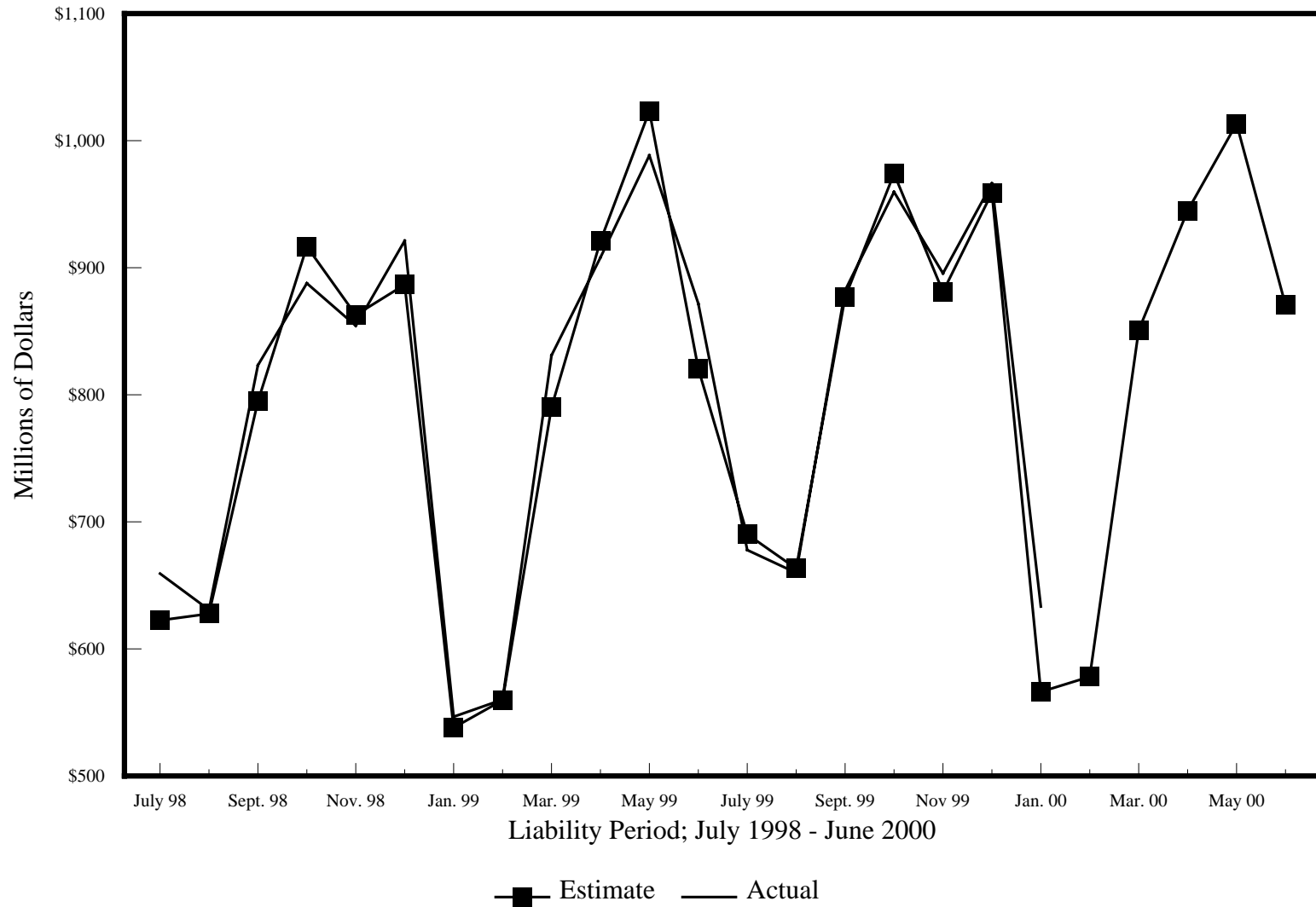
3 Cumulative variance for since the November forecast: November 11 - February 10,2000 & revisions to history.

4 Cumulative variance: since the November forecast (October - December 1999) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

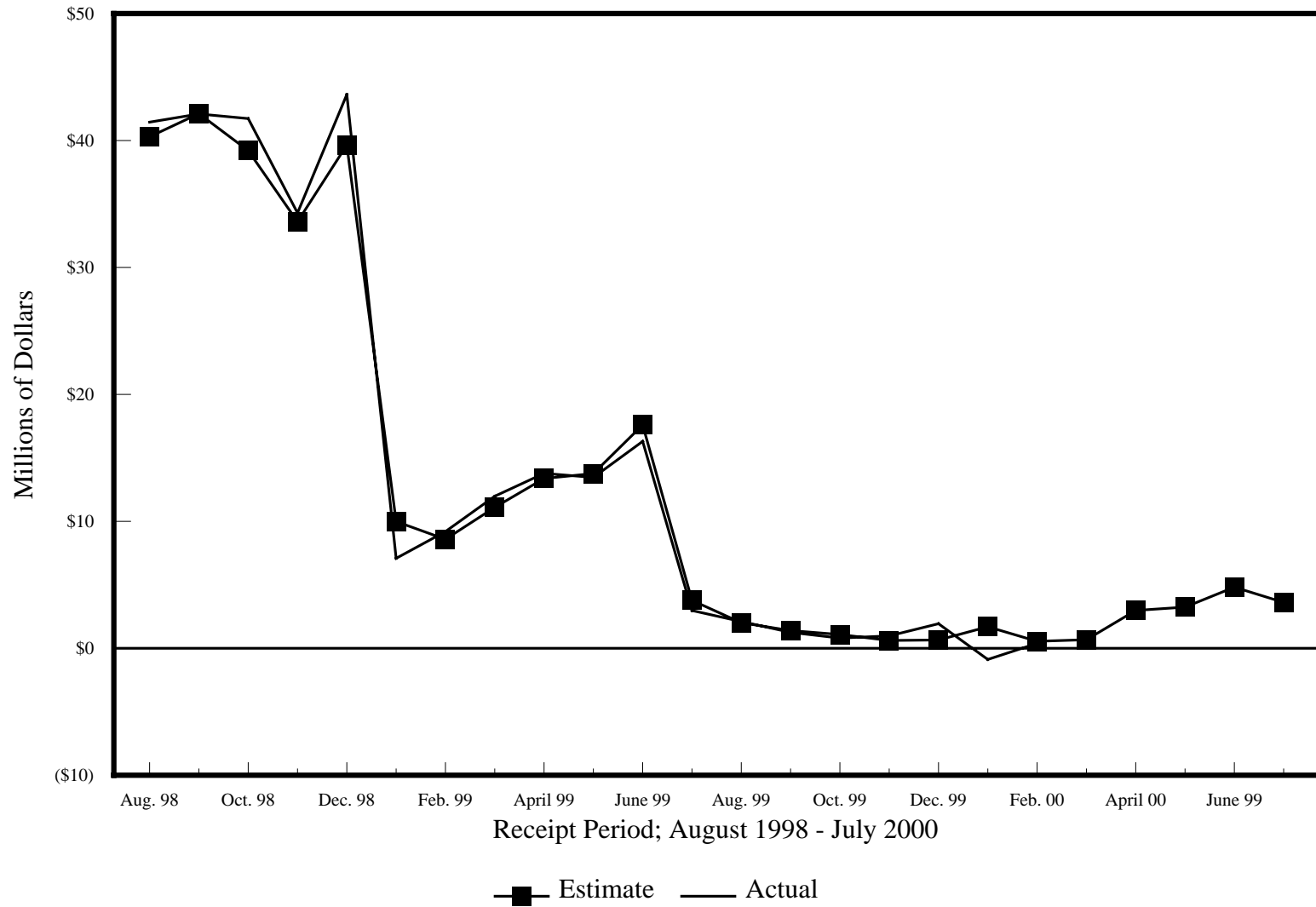
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2000



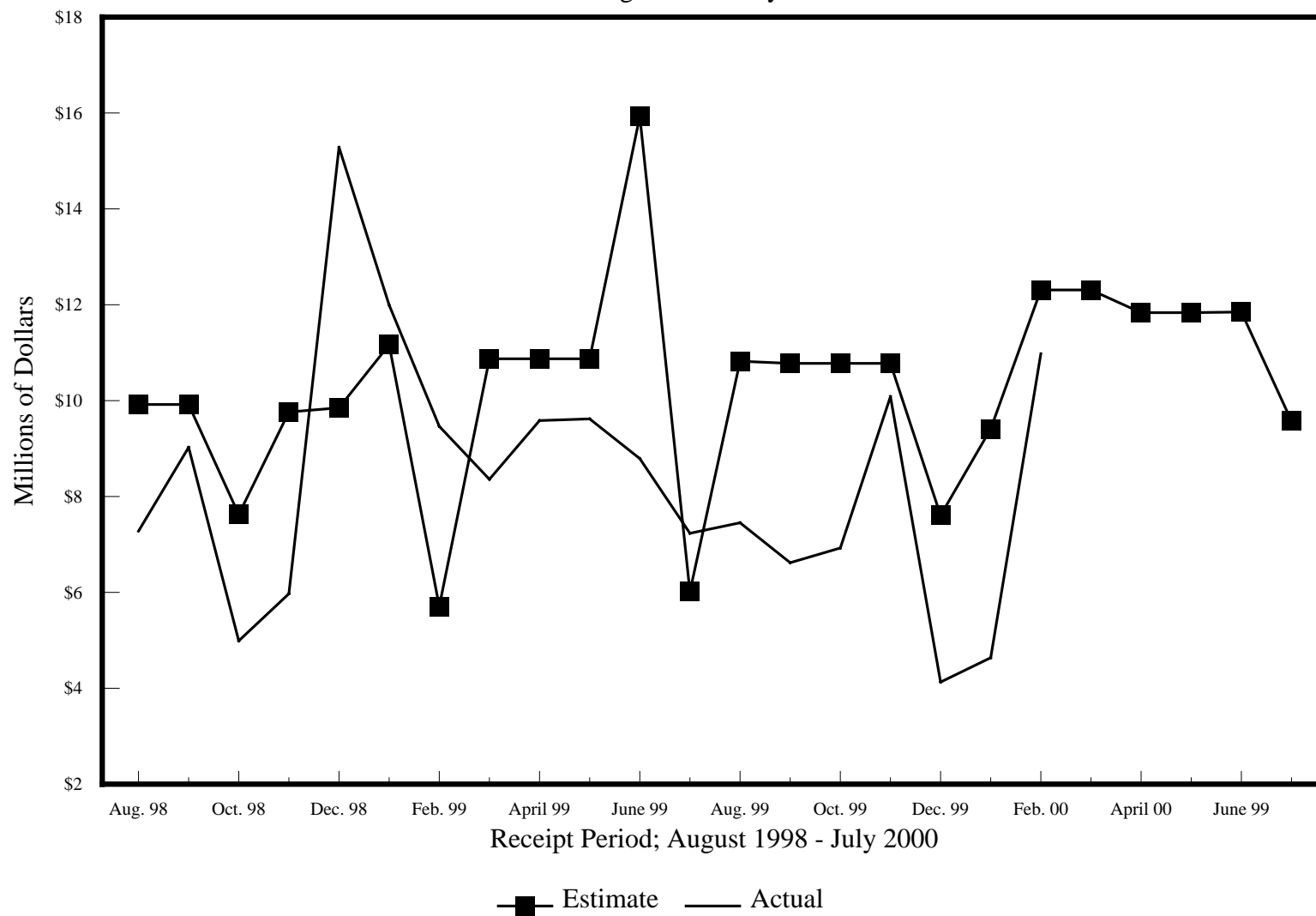
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to July 2000



Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to July 2000



Revenue Act Net Collections

Year-over-Year Percent Change

